



County of Los Angeles
CHIEF ADMINISTRATIVE OFFICE

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DAVID E. JANSSEN
Chief Administrative Officer

March 29, 2007

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: David E. Janssen
Chief Administrative Officer

Board of Supervisors
GLORIA MOLINA
First District

YVONNE B. BURKE
Second District

ZEV YAROSLAVSKY
Third District

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Fifth District

**PRELIMINARY REPORT – INDUSTRY REDEVELOPMENT PROJECT NO. 4 –
CITY OF INDUSTRY (FIRST DISTRICT)**

Consistent with Board policy and direction, we are advising your Board that the City of Industry has sent us the Preliminary Report for Civic-Recreational-Industrial Redevelopment Project No. 4. The Preliminary Report includes the following information:

1. Map of Project Area (Attachment I);
2. Physical and Economic Conditions of Blight (Attachment II);
3. Projects and Estimated Program Costs (Attachment III); and
4. Impact on County General Fund (Attachment IV).

The proposed project will include 100 individual parcels of approximately 291 acres located in the northern portion of the City. The Project Area primarily consists of industrial uses, with some commercial uses, portions of Valley Boulevard, and also the Southern Pacific Railroad right-of-way. The proposed project is intended to provide a financial and administrative mechanism to improve conditions and positively affect the community within the Project Area.

This Office conducted a preliminary analysis of the project, which included a meeting with Agency staff and their redevelopment consultants, several site visits, and an initial review of the Agency's blight findings from the Preliminary Report. Based on this preliminary analysis, we have concerns that the proposed project does not appear to meet the blight requirements consistent with Redevelopment Law. Thus, my staff will work closely with County Counsel to conduct a thorough review of the Preliminary Report and project area, and will work with Agency staff to try to resolve any concerns

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that emerge from our review. If it is determined that our concerns cannot be resolved, it may be necessary to submit written objections to the Agency's proposal at their Public Hearing to preserve the County's right to consider any subsequent action. The Agency has tentatively scheduled the Public Hearing to adopt the proposed redevelopment project for mid-June of 2007. I will continue to keep your Board updated on this matter.

If you have any questions, please call me, or your staff may call Robert Moran at (213) 974-1130 or Karen Herberts at (213) 974-1329, respectively.

DEJ:MKZ
MLM:KH:pg

Attachments

c: Raymond G. Fortner, County Counsel
J. Tyler McCauley, Auditor-Controller

PROJECT AREA DESCRIPTION
PHYSICAL AND ECONOMIC CONDITIONS OF BLIGHT
(From Agency's Preliminary Report)

Physical and Economic Blight Conditions:

In order to quantify physical blight, the Agency used a "Field Reconnaissance" data collection method consisting of 40 weighted indicators as identified by Urban Futures Incorporated, consultant. A Primary Blight Indicator was identified as exterior structural walls which are deteriorated to such an extent they are likely to collapse and cause severe structural failure, and assigned 20 points. Blight Indicators which were considered to be half as serious as the Primary were assigned ten points, Indicators one-fourth as serious received five points, and those Indicators one-tenth as serious were given two points. Under the methodology used, in order to be considered a physically blighted parcel, a parcel must accumulate 20 points and must contain at least one Blight Indicator which is valued at five or more points. The following is a summary of the physical and economic blight conditions as described in the Agency's Preliminary Report for the Project Area:

Physical

- The Urban Features Survey indicates there are unhealthy and unsafe buildings in the Project Area and the incidence of these buildings is prevalent and substantial. Of the 100 individual parcels located within the Project Area, 48 percent are said to show signs of serious deterioration and dilapidation caused by long-term neglect and construction that is vulnerable to serious damage from seismic hazards throughout the Project Area. Thirty-nine of the 48 parcels received at least ten Blight Indicator Points each, and 22 received 20 or more points.
- The Project Area contains conditions that substantially hinder the viable use or capacity of buildings or lots and the incidences of these conditions are prevalent and substantial. Sixty-one percent of the parcels exhibit at least one of the conditions caused by substandard, defective, or obsolete design and substandard, defective, or obsolete construction. Forty-nine of the parcels received at least ten Blight Indicator points each and 25 received 20 or more points.
- A total of 25 parcels have 20 or more Blight Points with at least one condition of blight which is worth at least five physical Blight Points. These parcels can be found in virtually every block in the Project Area.
- The Agency indicates that there has been no private redevelopment activity of any substance in the Project Area over the last 15 years.

Economic

- County Fire reporting data reflect the Project Area is requiring 2.81 times the level of service otherwise required for similar forms of land use in other parts of the community and indicates a public safety concern.

- Demands on County Sheriff protection services indicate the perceived risk and actual incidence of crime in the Project area is 1.5 times the level of service otherwise required for similar forms of land use in other parts of the community.
- Adult entertainment businesses tend to demand substantially more police service calls than other retail establishments and can constitute a serious threat as a source generating excess crime and public safety risk for surrounding area land use. There is one such business within the Project Area, Miss Kitty's Topless Entertainment, and there are four located less than a three-minute drive of this facility. Adult-only entertainment businesses that are adjacent and in close proximity to land uses of the Project Area are monopolizing crime prevention resources at a rate at least 14 times greater than should be reasonably expected for commercial-oriented land use. The corresponding rate of demand generated by Miss Kitty's is nearly 25 times greater than is otherwise demanded by commercial development in the surrounding community. The relatively close proximity of multiple adult-only establishments pose a substantial and prevalent public safety problem requiring an inordinate share of public protection resources in the local area.
- Six parcels were classified under the Hazardous Waste Study as a "1," which means there is "known soil contamination or known groundwater contamination (onsite)." Twenty-five parcels were classified as a "2," which means there is "potential soil contamination or potential groundwater contamination (offsite source or suspected onsite)." These parcels represent 31 percent of all parcels in the Project Area. The consultant performing the study concluded that "industrial activities throughout the plan area are known to have resulted in soil and/or groundwater contamination that could adversely affect construction workers or future occupants of these areas."

PROJECTS AND ESTIMATED PROGRAM COSTS

ITEM OR PROGRAM	AMOUNT
Estimated Housing Programs	
20% of the gross tax increment generated from within the Project area shall be annually transferred to the Los Angeles County Housing Authority	
Total Estimated Housing Costs	\$17,020,746¹
Estimated Non-Housing Projects/Programs	
Infrastructure Improvements <ul style="list-style-type: none"> - Street improvements, including construction, widening, reconstruction and resurfacing (all categories of street) - Storm drain facilities and systems - Parking facilities - Extension of utilities and/or utilities under grounding - Water systems - Sanitary systems - Traffic signal controls, signals, and participation in development of and compliance with local and/or regional transportation management strategies/programs - Industrial pollution control devices - Other miscellaneous infrastructure projects Community Facilities Programs <ul style="list-style-type: none"> - Public facilities improvements (community center, recreation and parks, City and other permissible government and public safety facilities) - Street lighting standards and landscaping - Various curb, gutter, and sidewalk improvements - Other miscellaneous programs and improvements Community Development Programs <ul style="list-style-type: none"> - Relocation assistance (commercial and industrial) - Soil and groundwater remediation - Graffiti abatement - Seismic retrofitting - Land write-down "pool" and infrastructure construction assistance for commercial and industrial development - Commercial and industrial rehabilitation and expansion loan and/or grant fund, grants or other hybrid programs - Marketing/promotions - Code enforcement activities - Consultant services, economic development strategies, contract engineering, planning, design, and fiscal advisory services, and Agency administration costs - Other miscellaneous community development and improvement programs 	
Total Estimated Non-Housing Costs	\$38,562,288²
TOTAL COSTS FROM ESTIMATED NET TAX INCREMENT	\$55,583,034³

¹ \$17,020,746 is calculated from the gross tax increment amount estimated to be about \$85,103,728

² This sum represents the estimated tax increment proposed by the Agency to be allocated for implementation of the non-housing projects/programs. Over time, the actual cost of implementing individual projects/programs will be affected by annual rates of inflation and debt service costs and, therefore, successful implementation of all projects/programs may require additional sources of funding to be provided by the Agency, City, and/or other private and/or public sources.

³ Tax increment estimate assumes a straight-line average of 4.0 percent assessed valuation (AV) growth rate for the 45-year tax increment collection period derived from the average five-year growth rate (5.9%) of the existing Industry Urban-Development Agency Redevelopment Project Nos. 1, 2, and 3 (from FY 2001-2002 to FY 2006-2007), and Proposition 13 2 percent inflationary AV growth rate factor. Estimated net tax increment received is based upon a total estimated AV of \$106,582,900; this estimate reflects a reduction in Project Area size from 361 acres to about 290 acres. Total estimated AV does not include unsecured or State-assessed values.

IMPACT ON COUNTY GENERAL FUND

Limits of Plan – Added Areas

- **Incurring Debt: 20 Years**
- **Redevelopment Activities: 30 Years**
- **Limitations on Collection of Tax Increment: 45 Years**

Estimated Project Revenues

- **Assumed Annual Real Property Growth Rate: 3.97%**
- **2006-2007 Base Year Assessed Valuations: \$106,582,900**
- **Gross Estimated Increment (45-Year Collection): \$85,103,728**
- **Housing Set-Aside (20% Minimum): \$17,020,746**
- **County General Fund Revenue With Project: \$11,042,505**
- **County General Fund Revenue Without Project:**
\$8,631,911 - \$24,340,475
- **Net Difference to County General Fund:**
\$2,410,594 – (\$13,297,970)
- **Net Present Value Difference to County General Fund:**
\$365,173 – (\$4,384,776)

* Note: Estimated impact to County General Fund is based on comparing County General Fund revenue **with the proposed project**, based on the Agency estimate of growth, with County General Fund revenue **with no project**. The “no project” scenario includes a range of assumptions, from: a conservative 2 percent annual growth in the area to a more aggressive 3.97 percent annual growth plus construction envisioned by Agency as part of the proposed project. In other words, as the County is unable to estimate what will occur in the project area without a project, the “no project” scenario ranges from an assumption that minimal activity would occur in the area without the project (in which case the County would actually benefit from adoption of the project), to an assumption that project-related development and increased values would occur even without adoption of the project. County General Fund losses in this more aggressive scenario would be significant.